



Agenda Date: 5/11/07  
Agenda Item: 2C

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.bpu.state.nj.us](http://www.bpu.state.nj.us)**

PETITION OF PIVOTAL UTILITY  
HOLDINGS, INC., D/B/A ELIZABETHTOWN  
GAS, FOR AUTHORITY UNDER N.J.S.A.  
48:3-9 TO REFINANCE 1997 SERIES A GAS  
FACILITIES REVENUE BONDS

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ENERGY

ORDER

DOCKET NO. GF07020138

(SERVICE LIST ATTACHED)

BY THE BOARD:

On February 22, 2007, Pivotal Utility Holdings, Inc., d/b/a Elizabethtown Gas ("Pivotal" or the "Company") filed a petition ("Petition") with the New Jersey Board of Public Utilities ("Board" or "BPU") pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, seeking authority to refinance certain existing financing agreements.

The Company seeks authorization: (1) to execute documents evidencing the New Indebtedness, in amounts and under the terms and circumstances described in the Petition; (2) to repay the existing debt and to refinance the New Indebtedness; (3) to take such actions as are necessary to effectuate the transactions described in the Petition; and (4) to take such additional actions as the Board deems necessary.

Pivotal is a public utility corporation organized under the laws of the State of New Jersey. The Company is engaged in the business of distributing natural and mixed gas in service territories located in portions of New Jersey, Florida and Maryland. Pivotal's New Jersey Division, Elizabethtown Gas ("ETG"), distributes natural and mixed gas to approximately 267,000 customers in a service territory located principally in Hunterdon, Mercer, Middlesex, Morris, Sussex, Union, and Warren Counties.

Pivotal is a wholly owned subsidiary of NUI Corporation ("NUI"). NUI was acquired by AGL Resources Inc. ("AGLR") in a transaction approved by the Board in Docket No. GM04070721, and closed on November 30, 2004. AGLR is a corporation organized under the laws of Georgia, and is an Atlanta-based energy services holding company. AGLR is a public utility holding company pursuant to the Public Utility Holding Company Act of 2005, as amended ("PUHCA"). AGLR's utility subsidiaries, Atlanta Gas Light Company, Virginia Natural Gas, Inc., Chattanooga Gas Company, and now Pivotal, serve more than 2.2 million customers in six states. Additionally, AGLR, through the operation of its subsidiaries and affiliates, is engaged in the wholesale energy services business, natural gas storage and hub service business and in other retail natural gas marketing and telecommunications businesses.

Pivotal seeks the Board's authorization to refinance the 1997 Series A Gas Facilities Revenue Bonds in the amount of \$54.6 million. The Company will refinance the existing debt on terms and at costs that are more favorable to the Company through the use of auction, or floating, rate notes. The Company will repay the principal amount of the existing debt with the proceeds received from the issuance of a new series of tax-exempt revenue bonds of equal principal amount as the existing debt (the "New Indebtedness"). The Company will issue the New Indebtedness through the NJEDA. The New Indebtedness will have a floating rate of interest which reflects the interest rates on the notes issued by the NJEDA. The interest rate will be reset every fifth Tuesday (every 35 days). The floating interest rate will be determined by the rate of interest per annum that results from the implementation of auctions and will not exceed the maximum rate set forth in the Indenture of Trust. The New Indebtedness is expected to mature on the later of the maturity date of the existing debt or June 1, 2032.

Petitioner asserts that the proposed transactions are necessary and in the public interest, in that the requested refinancing authorizations will result in lower debt costs to the company and more favorable terms than the terms of the Company's existing debt. Additionally, the Company asserts that the proposed refinancing will ensure that the Company's financial position continues to improve and that the Company will be better positioned to continue to provide customers with safe, adequate and proper utility service. Although it is moving from fixed rate to auction rate notes, approval of the New Indebtedness will not increase the Company's outstanding indebtedness or liabilities, and will not affect the Company's target capitalization.

Petitioner asserts that the refinancing approvals sought herein will result in a lower cost of debt and will increase the financial stability of the Company, benefiting customers in the long run. This is evidenced by several factors, including: (1) currently low floating rates that will be reset every 35 days; (2) access to the floating rate market without need for a bank letter of credit or liquidity facility; (3) the debt is pre-payable at anytime without penalty; and (4) the debt is convertible to lower floater, or other variable rate mode or fixed rate at any time.

The Division of Rate Counsel ("Rate Counsel") has reviewed the Petition and supplemental documents and does not oppose Board approval. Rate Counsel recommends annual reporting by the Company concerning the financing and opportunities to further reduce its cost of capital.

The Board, after investigation, having considered the record and exhibits submitted in this proceeding, FINDS that, in light of the above, the actions proposed by the Company in its Petition appear to be reasonable and should result in a lower cost of debt and benefit the financial stability of the Company and of the customers in the long run, and are in accordance with law and not contrary to the public interest.

Accordingly, and approving the purposes thereof, the Board HEREBY AUTHORIZES Pivotal to execute a loan agreement, in amounts and under the terms and circumstances described in the Petition; to take actions, in the Company's reasonable discretion, to refinance and/or repay the

Existing Notes; and to take such actions as are necessary to effectuate the transactions described in the Petition. The Board notes that while at current interest rates, it appears that customers will be better served by going to a floating interest rate; this situation could change if interest rates were to rise significantly. Therefore, the Board will review the Company's financing decisions in the Company's next rate case to assure that customers are no worse off than they would have been absent the redemption of the aforesaid fixed rate bonds. Accordingly, the Company is HEREBY AUTHORIZED to:

- a. execute a loan agreement, in amounts and under terms and circumstances substantially similar to those described in the Petition;
- b. repay the existing notes and to refinance (including converting to a fixed rate) the New Indebtedness; and
- c. take such actions as are necessary to effectuate the transactions described in the Petition, and authorized herein.

This Order is subject to the following additional provisions:

1. The Company shall notify the Board of any Event of Default under the terms of the notes authorized herein within forty-eight hours of becoming aware of such default.
2. The Company shall notify the Board of any change in AGLR's or Pivotal's credit rating within one business day of any such change.
3. This Order shall not affect or in any way limit the exercise of the authority of the Board or of the State in any future petition with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or any other matters affecting Pivotal, ETG or AGLR.
4. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by the Company.
5. The Company shall file copies of the executed documents within five business days of the closing of the transactions.

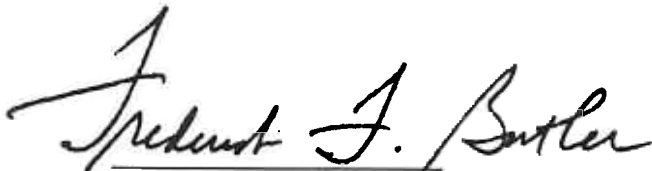
6. The Company will provide to Board Staff and the Division of Rate Counsel, no less frequently than annually, an evaluation of the Company's financing activities and potential opportunities to further reduce its cost of capital.

DATED:

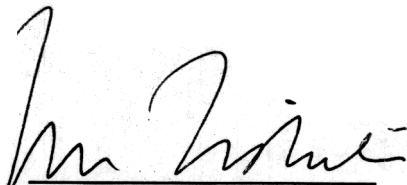
5/15/07


BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
CONNIE O. HUGHES  
COMMISSIONER

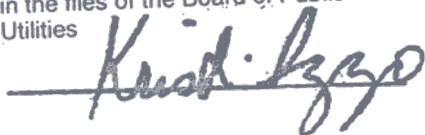
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public  
Utilities



## SERVICE LIST

**Petition of Pivotal Utility Holdings, Inc., d/b/a Elizabethtown Gas, for Authority Under  
N.J.S.A. 48:3-9 to Refinance 1997 Series A Gas Facilities Revenue Bonds**

**Docket No. GF07020138**

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